

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 DRC-01 IO-13

INT-05 SOE-02 AID-05 CEA-01 CIAE-00 COME-00

DODE-00 DOE-15 H-01 INR-10 L-03 NSAE-00 NSC-05

OMB-01 PM-05 ICA-11 OES-09 SP-02 SS-15 STR-07

TRSE-00 ACDA-12 /164 W

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TO SECSTATE WASHDC 1011

INFO AMEMBASSY ABIDJAN

AMEMBASSY BAMAKO

AMEMBASSY CANBERRA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY NDJAMENA

AMEMBASSY OTTAWA

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY VIENNA

C O N F I D E N T I A L NIAMEY 3434

C O R R E C T E D C O P Y MRN (3434 VICE 343)

E.O. 11652: GDS

TAGS: EMIN, EARL, NG

SUBJ: NIGER' S URANIUM SECTOR: WHERE THINGS STAND--JULY 1978

PART II OF II: NEGOTIATION ISSUES FACING THE GON AND ITS  
URANIUM PARTNERS.

1. SUMMARY: NIGER'S KEY MINING SECTOR LEADERS HAVE BEEN  
PARTICULARLY ADAMANT ON TWO CENTRAL TENETS OF THE GON'S  
MINING POLICY:INCOME MAXIMIZATION FROM ITS SOLE  
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ECONOMIC TRUMP CARD, URANIUM AND SOVEREIGNTY SAFEGUARDS TO  
ASSURE THAT GON WILL ALWAYS HAVE AS NEAR THE LAST SAY AS  
POSSIBLE IN MINING SECTOR DECISIONS. GON HAS INDICATED  
THAT IT WILL SOON ACT UPON THE LUMP SUM PAYMENT CLAUSE OF  
ITS MINING LAW THAT OBLIGES EACH COMPANY TO PAY A ONE  
TIME FEE BASED UPON THE ESTIMATED URANIUM RESERVES IN  
THEIR CONCESSIONS. MINING OFFICIALS REPORT THAT A SUPREME

MILITARY COUNCIL DECREE WILL RESOLVE CONCLUSIVELY (READ NON-NEGOTIABLE) THE LUMP SUM PAYMENT CALCULATION THIS FALL. ESSO MINERALS AND MARATHON OIL'S SUBSIDIARY PAN OCEAN OIL, LTD., REPORT STUBBORN GON RESISTANCE TO ANY WORDING OR CLAUSE THAT IT FEELS COULD EVEN REMOTELY BE INTERPRETED AS AN ENCROACHMENT UPON SOVEREIGNTY. THE TWO COMPANIES' CONTRASTING APPROACH TO DEALINGS WITH GON MAY BE A CLUE FOR FUTURE COMPANIES STYLE IN NEGOTIATION. END SUMMARY

2. A) NIGER'S GOVERNING MINING LAW NO. 61-8, SIGNED MAY 29, 1961) WAS WRITTEN WITH A STIPULATION (ARTICLE 5) OBLIGING COMPANIES ENTERING THE EXPLOITATION PHASE TO PAY A PER TON "LUMP SUM" BASED UPON THE KNOWN URANIUM RESERVES IN THE COMPANY'S CONCESSION. IT WAS DECIDED THAT THIS SUM WOULD BE DECIDED AT A LATER DATE AND UNTIL NOW, THE GON HAS REMAINED HESITANT (OR UNWILLING) TO COMMIT ITSELF TO A NUMBER.

B) INFORMED SOURCES NOR REPORT THAT THE GON MAY SOON MAKE THAT DECISION. RATHER THAN BARGAINING INDIVIDUALLY WITH EACH COMPANY OVER THE PAYMENT SIZE, THE SUPREME MILITARY COMMAND WILL DECREE THE FORMULA BY WHICH THE GON WILL CALCULATE EACH CONCESSION'S LUMP SUM. THIS FORMULA, OBVIOUSLY, WILL BE CRITICAL TO THE PROFITABILITY OF EACH UNDERTAKING AND MAY SUMMARILY DECIDE AMERICAN COMPANIES CONFIDENTIAL

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PARTICIPATION IN THE YEARS TO COME. THIS FORMULA WILL SUPPOSEDLY WEIGHT ALL IMPORTANT FACTORS SUCH AS TYPE OF MINE, DEPTH OF DEPOSIT, ETC.

3. BOTH ESSO MINERALS AND PAN OCEAN OIL LTD., A SUBSIDIARY OF MARATHON OIL, RECENTLY COMPLETED RATHER EXTENSIVE NEGOTIATION WITH TON GON MINERALS OFFICIALS. WHILE BOTH COMPANIES PROFESSED SATISFACTION WITH THE PROCEEDINGS, THE STICKY ISSUES INVOLVING CORPORATE CONTROL AND DECISION-MAKING HAVE NOT BEEN EASY TO RESOLVE. ESSO AGREEMENT SIGNED EARLY ON OF A 51 O/O TO 49 O/O SPLIT HAS CLEARLY WORRIED GON OFFICIALS WHO WISH FOR ALL DECISIONS TO BE MADE BASED UPON UNANIMITY OF BOARD DIRECTORS. ESSO'S COUNTER PROPOSAL TO DRAW UP A LIST OF DECISIONS FOR WHICH UNANIMITY COULD BE REQUIRED WAS , AT THIS JUNCTURE, STILL NOT GOOD ENOUGH. ESSO OFFICIALS, ON THE OTHER HAND, ARE CHARY OF SUCH AN OPEN ENDED AGREEMENT WITH THEIR CAPITAL. PAN OCEAN, IN LIEU OF FIGHTING AT EVERY TURN, HAVE AGREED TO CONCEDE MANY OF THE LESSER ISSUES SENSITIVE TO GON IN HOPE OF BUILDING GOODWILL FOR AN UNKNOWN EVENTUALITY IN THE FUSL"743

4. COMMENT. PAN OCEAN'S APPROACH TO ITS DEALINGS WITH GON

IS AN INTERESTING CONTRAST TO THAT OF ESSO MINERALS. ACCORDING TO PAN OCEAN, THEIR INTEREST IN ABIDING BY ALL CLAUSES OF THEIR EXPLORATION AGREEMENT WHILE NEGOTIATION IS UNDERWAY HOPEFULLY HAS GIVEN THEM THE APPEARANCE OF BEING COOPERATIVE AND HONORABLE IN NIGER'S EYES. ESSON, ON THE OTHER HAND, HAS DRAGGED ITS FEET, TO THE GON'S ANNOYANCE, TO AVOID SPENDING ANY MORE MONEY THAN NECESSARY BEFORE ALL IMPORTANT ELEMENTS OF THE CONTRACT ARE NAILED DOWN. GIVEN NIGER'S RATHER SLOW PACED, FAMILY STYLE APPROACH TO BUSINESS IN GENERAL, PAN OCEAN'S PLAY BALL ATTITUDE MAY GIVE THEM THE BENEFIT OF DOUBT FOR SOME UNFORESEEN EVENTUALITY. JAMES

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## Message Attributes

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